

MILLBROOK-ROLLAND TOWNSHIP FIRE DEPARTMENT
COUNTIES OF MECOSTA AND ISABELLA, MICHIGAN

FINANCIAL REPORT
FOR THE YEAR ENDED MARCH 31, 2004

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other			Local Government Name <i>Millbrook - Rolland Twp. Fire Dept.</i>		County <i>Merossia - Isabella</i>
Audit Date <i>3/31/04</i>	Opinion Date <i>7/16/04</i>	Date Accountant Report Submitted to State: <i>8/7/04</i>			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <i>Barry E. Gauderke, CPA, PC</i>			
Street Address <i>1707 E. 8th Street</i>	City <i>Traverse City</i>	State <i>MI</i>	ZIP <i>49686</i>
Accountant Signature <i>Barry E. Gauderke, CPA</i>			

INTRODUCTORY SECTION

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Barry E. Gaudette, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

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Members of the Board of Directors
Millbrook-Rolland Township Fire Department
Mecosta and Isabella Counties, Michigan

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the Millbrook-Rolland Township Fire Department, as of and for the year ended March 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Millbrook-Rolland Township Fire Department as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents is presented for purposes of additional analysis and are not a required part of the financial statements of the Millbrook-Rolland Township Fire Department. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Barry E. Gaudette, CPA, P.C.

July 16, 2004

Financial Statements

MILLBROOK-ROLLAND TOWNSHIP FIRE DEPARTMENT
COMBINED BALANCE SHEET
GENERAL FUND AND ACCOUNT GROUP
MARCH 31, 2004
=====

	<u>General Fund</u>	<u>General Fixed Asset Account Group</u>	<u>Totals (Memorandum Only) March 31, 2004</u>
<u>ASSETS</u>			
Cash	\$181,140	\$	\$ 181,140
Accrued interest receivable	1,969		1,969
Buildings		4,719	4,719
Vehicles		347,631	347,631
Equipment		<u>78,246</u>	<u>78,246</u>
TOTAL ASSETS	<u>\$183,109</u>	<u>\$430,596</u>	<u>\$ 613,705</u>
<u>FUND EQUITY</u>			
FUND EQUITY:			
Investment in general fixed assets	\$	\$430,596	\$ 430,596
Fund Balance: Undesignated	<u>183,109</u>		<u>183,109</u>
TOTAL FUND EQUITY	<u>\$183,109</u>	<u>\$430,596</u>	<u>\$ 613,705</u>

See notes to financial statements

MILLBROOK-ROLLAND TOWNSHIP FIRE DEPARTMENT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
 FOR THE YEAR ENDED MARCH 31, 2004

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	<u>Original Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Townships of Millbrook, Rolland and Broomfield	\$ 46,300	\$ 52,728	\$
County of Mecosta	1,500	3,668	
Reimbursements		1,600	
Fire runs and other		7,950	
Donations		2,953	
Interest		2,893	
Rent-fire barn		1,200	
	<u>47,800</u>	<u>72,992</u>	<u>25,192</u>
TOTAL REVENUES			
EXPENDITURES:			
Current:			
Minor equipment	18,000	16,090	
Firemen's salaries	12,000	11,903	
Insurance	11,200	10,605	
Gas & electric	4,000	4,324	
Vehicle fuel, parts & repairs	5,000	2,183	
Medical tests & shots	2,400	2,155	
Training	1,750	1,727	
Building maintenance	3,500	1,690	
Radio maintenance	2,000	1,465	
Board members salaries	1,300	1,225	
Telephone & cellular	1,200	1,208	
Office & misc. supplies	1,300	1,206	
Payroll taxes	1,200	1,004	
Medical supplies	1,500	799	
First Response meeting attendance	1,200	610	
Professional fees	300	299	
Mileage & meals	500	61	
Miscellaneous	450		
Fire department dues	150		
Donations		57	
Capital outlay	<u>6,000</u>	<u>4,719</u>	
TOTAL EXPENDITURES	<u>74,950</u>	<u>63,330</u>	<u>11,620</u>

MILLBROOK-ROLLAND TOWNSHIP FIRE DEPARTMENT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
 FOR THE YEAR ENDED MARCH 31, 2004
 (Continued)

	<u>Original Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER EXPENDITURES	(27,150)	9,662	36,812
FUND BALANCE, beginning	<u>173,447</u>	<u>173,447</u>	<u> </u>
FUND BALANCE, ending	<u>\$146,297</u>	<u>\$183,109</u>	<u>\$ 36,812</u>

See notes to financial statements

MILLBROOK-ROLLAND TOWNSHIP FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004
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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Millbrook-Rolland Township Fire Department have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Township are described below.

A. Reporting Entity

The Townships of Millbrook and Rolland have formed a volunteer fire department. It was established for the purpose of furnishing fire protection throughout the Townships of Millbrook and Rolland, and they have also contracted with the Township of Broomfield for their fire protection.

The fire department administrative board consists of five members who are appointed by the Townships. This board also appoints a fire chief.

B. Basis of Presentation

The accounts of the Fire Department are organized on the basis of a fund and an account group, each of which is considered to be a separate accounting entity. The operations of each are accounted for with a separate set of self-balancing accounts which are comprised of each one's assets, liabilities, fund balance, revenues and expenditures.

Government resources are allocated to and for the individual fund based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Following is a description of the fund type and account group:

Governmental Fund Type

These funds are those through which most governmental functions typically are financed. The focus of Governmental Fund measurement is upon determination of financial position and changes in financial position (sources, uses, and balances of the financial resources) rather than upon net income. The following is a description of the Governmental Fund Type of the District:

MILLBROOK-ROLLAND TOWNSHIP FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004
(Continued)

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Basis of Presentation - Continued

Governmental Fund Type - Continued

General Fund

The General Fund is the general operating fund of the Department. It is used to account for all financial resources except those required to be accounted for in another fund. Revenues are derived primarily from contributions from each Township and interest.

Account Group

Account Groups are not funds; they do not reflect available financial resources and related liabilities, but are accounting records of the following:

General Fixed Asset Account Group

The General Fixed Asset Account Group is used to maintain control and cost information for all fixed assets of the District utilized in its general operations. Expenditures for fixed assets are shown as expenditures in the General Fund and added to the General Fixed Asset Account Group. No depreciation is taken on these assets.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Modified Accrual

The Governmental Fund Type (General Fund) is accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means

MILLBROOK-ROLLAND TOWNSHIP FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004
(Continued)

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Basis of Accounting - Continued

collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

Taxpayer-assessed income, gross receipts and sales taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seem certain.

D. Cash and Cash Investments

Deposits are carried at cost. Deposits of the Department are at one bank and in the name of Millbrook-Rolland Township Fire Department. Act 217, P.A. 1982, authorizes the Township to deposit and invest in the accounts of federally insured banks, insured credit unions and savings and loan associations; bonds and other direct obligations of the United States, or an agency or instrumentality of the United States; United States Government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the three highest classifications by not less than two standard rating services, which mature not more than 20 days after the date of purchase, and which involves no more than 50 percent of any one fund; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

E. Inventories

Materials and supplies are expensed as purchased.

MILLBROOK-ROLLAND TOWNSHIP FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004
(Continued)
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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

F. Property, Plant and Equipment

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

See Schedule of General Fixed Assets.

G. Capitalization of Interest on Fixed Assets

Generally accepted accounting principles require that interest expenditures incurred during construction of assets be capitalized. They are capitalized only to the extent that interest cost exceeds interest earned on related interest bearing investments. The District did not capitalize interest on fixed assets in the current year.

H. Accumulated Fund Deficits

There were no accumulated fund deficits in the individual funds at March 31, 2004.

I. Encumbrance System

The Department does not use an encumbrance system.

J. Allowance for Doubtful Accounts

The Department does not use an allowance for doubtful accounts.

K. Accrued Vacation and Sick Leave

The Department does not maintain a policy providing accrued vacation and sick leave for its employees.

MILLBROOK-ROLLAND TOWNSHIP FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004
(Continued)

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

L. Budgets

Annual operating budgets are adopted by the Department Board for the General Fund in accordance with Public Act 621 of 1978.

The Department follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Board submits a proposed operating budget for the fiscal year commencing the following April 1st. The operating budget includes proposed expenditures and the means of financing them for the General Fund.
- b. Public hearings are conducted by the Board to obtain taxpayer comments.
- c. Prior to March 31st, the budget is legally enacted on a departmental (activity) basis through passage of a appropriations act.
- d. Budget amendments are made by the Board as the need arises during the year.
- e. Formal budgetary integration is employed as a management control device during the year for all budgetary funds. Also, all budgets are adopted on a basis consistent with generally accepted accounting principles.
- f. Budget appropriations lapse at year end.

MILLBROOK-ROLLAND TOWNSHIP FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004
(Continued)

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NOTE 2: CASH AND CASH INVESTMENTS

The Department's deposits are in accordance with statutory authority. The GASB Statement No. 3 risk disclosure for the Department's cash deposits are as follows:

	<u>Per Book</u>	<u>Per Bank</u>
Insured (FDIC)		
Uninsured:	\$181,073	\$167,986
Uncollateralized	<u>67</u>	<u>67</u>
Total	<u>\$181,140</u>	<u>\$168,053</u>

NOTE 3: EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Department's actual expenditures and budget expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Department for these budgetary funds were adopted to the activity level.

During the year ended March 31, 2004, the Department did not incur expenditures in the General Fund which were in excess of the amounts appropriated.

NOTE 4: RETIREMENT PLAN

The Department does not provide a pension plan for its employees.

NOTE 5: INDIVIDUAL FUND PRESENTATION

The General Fund is the only fund of its individual fund kind. Therefore, it is not presented in a combining statement in the supplemental data portion of this report.

MILLBROOK-ROLLAND TOWNSHIP FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004
(Continued)

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NOTE 6: RELATED PARTY TRANSACTIONS

Nothing came to our attention during the audit effort that would warrant separate mention related to transactions between the Department and its employees and/or elected officials.

NOTE 7: SUBSEQUENT EVENTS

No subsequent events have come to our attention that require disclosure at this time.

NOTE 8: COMPARATIVE DATA

Comparative total data for the prior year has not been presented in the accompanying financial statements since the prior year has not been audited.

NOTE 9: TOTAL COLUMNS ON COMBINED STATEMENTS - OVERVIEW

Total columns on the Combined Statements - Overview are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

SUPPLEMENTARY DATA SECTION

MILLBROOK-ROLLAND TOWNSHIP FIRE DEPARTMENT
SCHEDULE OF GENERAL FIXED ASSETS
 FOR THE YEAR ENDED MARCH 31, 2004

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	<u>03/31/03</u> <u>Balance</u>	<u>Additions</u> <u>(Deletions)</u>	<u>03/31/04</u> <u>Balance</u>
Buildings	\$	\$ 4,719	\$ 4,719
Vehicles	347,631		347,631
Equipment	<u>78,246</u>	<u> </u>	<u>78,246</u>
TOTALS	<u>\$425,877</u>	<u>\$ 4,719</u>	<u>\$430,596</u>

COMMENTS AND RECOMMENDATIONS

Barry E. Gaudette, CPA, P.C.
CERTIFIED PUBLIC ACCOUNTANT

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Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

This letter supplements the information in the Financial Statements and Notes to Financial Statements. It is intended solely for the use of management and should not be used for any other purpose.

Barry E. Gaudette, CPA, P.C.
July 16, 2004